

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lake Township	County Benzie
Audit Date 3/31/06	Opinion Date 6/15/06	Date Accountant Report Submitted to State: 8/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.


- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Wilson, Ward CPA Firm

Street Address PO Box 205	City Interlochen	State MI	ZIP 49643
Accountant Signature 		Date 8/29/06	

LAKE TOWNSHIP
BENZIE COUNTY, MICHIGAN

Audit Report

For Year Ended
March 31, 2006

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June 21, 2006

Mr. William Robinson, Supervisor
Lake Township
Honor, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Lake Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Lake Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Lake Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing *and* testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Lake Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer. Once again, the atmosphere is very conducive to excellent internal control with a very positive attitude toward improvement.

COMMENT: The control of cash at the park could be improved.

RECOMMENDATION: Prenumbered or accounting for the quantity of parking payment vouchers supplied (for parking fees) should be used to allow a third party to verify the amounts collected.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the excellent condition of the records as well as the opportunity to work with Lake Township.

Sincerely,

A handwritten signature in black ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

LAKE TOWNSHIP
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board
Lake Township, Michigan

We have audited the general purpose financial statements of Lake Township, as of and for the year ended March 31, 2006, and have issued our report thereon dated June 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Lake Township, in a separate letter dated June 21, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Lake Township, in a separate letter dated June 21, 2006.

This report is intended solely for the information and use of the management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
June 21, 2006

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Lake Township Board
Honor, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Benzie County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of March 31, 2006 thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2006, on our consideration of Lake Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson, Ward CPA Firm

Interlochen, MI
June 21, 2006

LAKE TOWNSHIP

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 3% from a year ago - decreasing from \$366,623 to \$356,087. This was primarily caused by the payment for the completion of the Fire Barn. While there was a significant increase in real Capital Assets, there was a commensurate loss due to the change in accounting policy of recording only assets valued at greater than \$5,000 and the inclusion of depreciation. The schedules reflecting this year's status are found on page 7.

The Township's Funds

Our analysis of the Township's major funds begins in the supplemental data section, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

Economic Factors and Next Year's Budgets and Rates:

Lake Township's 2005-2006 budget calls for only the allocated millage of 1.400 mills. Lake Township has no voted millage. The state law mandated services, the services of the Lake Township Fire Department, garbage pickup, annual trash day, 24/7 recycling services, and a grass and leaf dumpster are provided with no voted millage at this time.

This can be accomplished by the growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation. The mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

General Overview of the Accomplishments of Lake Township in the 2005-2006 Fiscal Year:

Construction of a pole building to house a small pumper fire truck was completed. The township would own both of these. Plans may be made to contract with Frankfort/Elberta Fire Department for complete coverage of the township. The personnel to man our truck would be trained by and be under the supervision of the Frankfort/Elberta Fire Department.

The Township finances have been managed very closely. This shows in the fund balance. The Township is in a very healthy state as a whole.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 325-5202.

**Lake Township
Statement of Net Assets**

As of March 31, 2006

Assets

Cash and Investments	\$356,088
Accounts Receivable	0
Taxes Receivable	0
Prepaid Insurance	0
Due From Other Agencies	0
Fixed Assets Net of Depreciation	116,291
Total Assets	<u>472,378</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	0
Accrued Salaries & Wages	0
Deferred Revenue	0
Due to Other Agencies	0
Total Liabilities	<u>0</u>

Fund Equity

Net Assets	116,291
Reserved for Equipment Replacement	0
Unreserved	356,087
Total Net Assets	<u>472,378</u>

Total Liabilities and Net Assets	<u>\$472,378</u>
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Reconciliation of Governmental:

Unreserved Fund Balance	\$356,087
Add Net Assets	116,291
Unreserved Net Assets	<u>\$472,378</u>

Lake Township
Statement of Activities
For Year Ended March 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities
Primary government					
Governmental activities:					
General government	\$163,180			\$163,180	\$163,180
Public safety	90,602			90,602	90,602
Public works	29,292			29,292	29,292
Health and Recreation	12,324			12,324	12,324
Community and Economic Development				0	0
Recreation and Culture	6,230			6,230	0
Interest on Long Term Debt				0	0
Total Governmental Activities	301,628			301,628	301,628
Business Type Activities					
Water and Sewer	0				0
Total Primary Government	301,628			301,628	0
General revenues:					
Taxes					
Property Taxes-general				211,785	211,785
Property Taxes-debt service				0	0
State-Shared Revenues				46,009	46,009
Unrestricted Investment Earnings				4,427	4,427
Franchise taxes				0	0
Miscellaneous				33,912	33,912
Depreciation				5,042	5,042
Total General Revenues-Special Items and Transfers				291,092	291,092
Changes in Net Assets				(10,536)	(10,536)
Net Assets - Beginning				366,623	366,623
Net Assets - Ending				\$356,087	\$356,087

Reconciliation to Governmental Income:

Income Per Governmental Sheet	(\$13,410)
Governmentally expensed Assets	7,916
Subtract Depreciation	5,042
Per Statement of Activities	(\$10,536)

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Balance Sheet - All Governmental Fund Types

As of March 31, 2006

	Governmental Fund Types			Total Governmental
	General Fund	Fire Fund	Other Non-Major Funds	
Assets				
Cash and Investments	\$228,469	\$102,697	\$24,922	\$356,088
Accounts Receivable	0			0
Taxes Receivable	0			0
Prepaid Insurance	0			0
Due From Other Agencies	0			0
Due From Other Funds	0		0	0
Construction Work In Progress	0			0
Total Assets	228,469	102,697	24,922	356,088
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	0	0	0	0
Accrued Salaries & Wages	0			0
Deferred Revenue				0
Due to Other Agencies	0			0
Due to Other Funds	0		0	0
Total Liabilities	0	0	0	0
Fund Equity				
Fund Balances:				
Reserved for Equipment Replacement				0
Unreserved	228,468	102,697	24,922	356,088
Total Fund Equity	228,468	102,697	24,922	356,088
Total Liabilities and Fund Balance	\$228,468	\$102,697	\$24,922	\$356,088

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types

For the Year Ended March 31, 2006

	Governmental Fund Types			Total Governmental
	General Fund	Fire Fund	Other Non-Major Funds	
Revenues				
Taxes	\$102,693	\$61,562	\$0	\$164,255
Licenses	1,940			1,940
State of Michigan	42,866		3,143	46,009
Charges for Services	0			0
Interest & Rentals	3,743	684	0	4,427
Admin Fees	47,530			47,530
Cable Franchise Fees	0			0
Misc	17,611	1,400	3,160	22,171
Reimbursements	9,801			9,801
Total Revenues	226,184	63,647	6,303	296,134
Expenditures				
Current				
Legislative	39,659			39,659
General Government	130,341		7,326	137,666
Public Safety	17,857	72,745	0	90,602
Public Works	29,292			29,292
Contingency	12,324			12,324
Total Expenditures	229,474	72,745	7,326	309,544
Excess Revenue (Expenditures)	(3,290)	(9,098)	(1,023)	(13,410)
Operating Transfers In	0	20,000	0	20,000
Operating Transfers (Out)	(20,000)		0	(20,000)
Fund Balance/Retained Earnings - Beginning of Year	251,758	91,795	25,944	369,497
Fund Balance/Retained Earnings - End of Year	\$228,468	\$102,697	\$24,922	\$356,087

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING 03/31/2006**

1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. Reporting Entity

Lake Township is located in Benzie County, Michigan. The Township is governed by an elected five member board. Services are provided to approximately 635 residents and include fire protection and general community enrichment services. The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

B. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Beginning with the fiscal year 2003-04 Lake Township converted to GASB 34 reporting standards. This creates a new report at the fund level which reports the general fund and only major funds with the remainder reported in one column as "Other Non-major Funds". It also eliminates the groups of accounts and the internal service funds. The new top level reports uses full accrual accounting which includes the fixed assets with appropriate depreciation and long term debt. The Trust and Agency Funds are reported separately as are the Proprietary Funds which are reported as "business like" funds.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING 03/31/2006**

The accounting policies of Lake Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING 03/31/2006**

2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more than 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

4. Cash and Investments

Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of Lake Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	<u>Carrying Value</u>	<u>Bank Value</u>
Insured	\$ 100,000	\$ 100,000
Uninsured	\$ 108,469	\$ 108,659

The Township also has \$40,000 invested in certificates of deposit which are not reported according to risk.

5. Pension Plan

The Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. covering all elected officials and other full-time employees. The Township contributes the premium based on 7.5% of the annual normal compensation. Plan members may make additional voluntary contributions. The Township's contribution for the year ended March 31, 2006 amounted to \$6,546.

6. Changes in General Fixed Assets

General Fixed Assets have been acquired for general township purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized in the General Fixed Asset records as required by GASB 34. As a Township policy, assets valued at less than \$2,500 are considered to be supplies and are not recorded as fixed assets.

**LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDING 03/31/2006**

	Balance <u>4/01/05</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3/31/06</u>
Land	\$ 7,035			\$ 7,035
Land Improvements	82,553			82,553
Buildings	51,131	85,000		136,131
Furniture	17,373			17,373
Equipment	<u>36,099</u>	<u>0</u>	<u>0</u>	<u>36,099</u>
	<u>\$194,191</u>	<u>\$85,000</u>	<u>0</u>	<u>\$279,191</u>

Accumulated Depreciation

	Cost	Date of Purchase	Method	Life	Acc Dep 03/31/05	Dep	Acc Dep 03/31/06
Land	7,035		N/A				
Building & Garage	51,131	1948	S/L	50	51,131	0	51,131
Land Improvements	82,553	1985	S/L	30	55,035	2,752	57,787
Furniture	17,373	VAR	S/L	7	17,373	0	17,373
Equipment	32,399	VAR	S/L	7	32,399	0	32,399
Riding Mower	1,500	2001	S/L	10	600	150	750
Computer	2,200	2002	S/L	5	1,320	440	1,760
Fire Barn	85,000	2005	S/L	50	0	1,700	1,700

7. Compensated Absences and Post Employment Benefits

The township does not pay for compensated absences.

8. Contingent Liabilities

There are no known contingent liabilities.

9. Risk Management

The township carries commercial insurance as a protection against risk.

10. Taxes receivable

Taxes receivable reflected in the general fund represent delinquent real property taxes and tax administration fees on delinquent real property taxes. Benzie County funds the delinquent tax roll by selling tax notes annually and distributing the proceeds to the governmental units currently. Accordingly, these delinquent taxes and related fees are recorded as revenue in the current year.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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Interlochen, MI 49643

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To the Township Board
Honor, MI

We have audited the combined financial statements of Lake Township for the year ended March 31, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
June 21, 2006

GENERAL FUND

Lake Township
Balance Sheet
General Fund

As of March 31, 2006

Assets

Cash In Bank and Investments	\$228,469
Accounts Receivable	0
Taxes Receivable	0
Prepaid Insurance	0
Due From Other Funds	0
Due From Other Agencies	0
Construction Work In Progress	0
Total Assets	<u>\$228,469</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	\$0
Accrued Salaries & Wages	0
Deferred Revenue	0
Due To Other Funds	0
Compensated Absences	0
Total Liabilities	<u>0</u>

Fund Balance

Reserved for Equipment Replacement	0
Unreserved	<u>228,468</u>
Total Fund Balance	<u>228,468</u>

Total Liabilities and Fund Balance	<u>\$228,468</u>
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THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended March 31, 2006

	Budget Beg. Year April 01, 2005	Budget Year Ended March 31, 2006	Actual Year Ended March 31, 2006	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$95,632	\$101,500	\$100,740	(\$760)
Penalties on Taxes	500	500	1,953	1,453
Admin Fees	43,368	48,400	47,530	(870)
Licenses and Permits	1,950	2,000	1,940	(60)
State Shared Revenues	40,000	43,000	42,866	(134)
Use Fees	12,400	14,500	14,438	(62)
Earned Interest	3,000	1,500	3,743	2,243
Franchise Fees	850	0	0	0
Reimbursements	500	500	100	(400)
Misc	0	2,500	3,173	673
Total Revenues	198,200	214,400	216,483	2,083
Reimbursements	5,500	5,500	9,701	4,201
Total Receipts	203,700	219,900	226,184	6,284
Expenditure				
Legislative				
Total Township Board	40,200	40,900	39,659	1,241
Total Township Supervisor	12,200	14,200	12,119	2,081
Total Elections	9,850	9,850	1,245	8,605
Total Assessor	34,399	32,399	28,814	3,585
Total Clerk	24,424	26,154	25,368	786
Total Board of Review	1,900	1,900	1,703	197
Total Treasurer	31,962	33,962	33,051	911
Total Township Hall	53,025	49,625	28,040	21,585
Total General Government	167,760	168,090	130,341	37,749
Planning and Zoning	13,150	13,150	11,196	1,954
Public Works:				
Street Lighting	750	750	727	23
Parks	11,100	15,000	14,932	68
Clean Up	6,500	7,000	6,943	57
Recycling	6,975	6,875	5,839	1,036
Road Work	0	0	0	0
Total Public Works	25,325	29,625	28,441	1,184
Zoning Board of Appeals	\$4,100	\$4,100	\$851	\$3,249

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2006

	Budget Beg. Year April 01, 2005	Budget Year Ended March 31, 2006	Actual Year Ended March 31, 2006	Variance Favorable (Unfavorable)
Other Expenditures				
Fire	\$2,500	\$2,700	\$2,689	\$11
Police Service	4,000	4,000	3,972	28
Employee Benefits	3,000	6,500	5,324	1,176
Pension	7,000	7,000	7,000	0
Contingency	5,000	500	0	500
Total Other Expenditures	21,500	20,700	18,985	1,715
Total Expenditures	272,035	276,565	229,474	45,877
Excess Revenues	(68,335)	(56,665)	(3,290)	
OTHER FINANCING SOURCES				
Operating Transfers In(Out)			(20,000)	
Excess Revenue & Other Financing Uses Over (Under) Expenditures			(23,290)	
Fund Balance - Beginning of Year			251,758	
Fund Balance - End of Year			\$228,468	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SPECIAL REVENUE

**Lake Township
Combining Balance Sheet
Non-Major Special Revenue Funds**

As of March 31, 2006

	Park Fund	Metro Act Fund	Budget Stabilization Fund	Total
Assets				
Cash in Bank	\$0	\$4,922	\$20,000	\$24,922
Prepaid Insurance				0
Due From General Fund	0			0
Total Assets	0	4,922	20,000	24,922
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	0	0	0	0
Due to General Fund			0	0
Total Liabilities	0	0	0	0
Fund Balance				
Reserved for Equipment Replacement				0
Unreserved	0	4,922	20,000	24,922
Total Fund Balance	0	4,922	20,000	24,922
Total Liabilities and Fund Balance	\$0	\$4,922	\$20,000	\$24,922

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Non-Major Special Revenue Funds

For The Year Ended March 31, 2006

	Park Fund	Metro Act Fund	Budget Stabilization Fund	Total
Revenues				
Property Taxes	\$0	\$0	\$0	\$0
Delinquent Property Taxes				0
State of Michigan		3,143	0	3,143
Interest				0
Miscellaneous	3,160			3,160
Total Revenue	3,160	3,143	0	6,303
Expenditures				
Contract Services			0	0
Capital Expenditures				0
Miscellaneous	6,230	1,096	0	7,326
Total Expenditures	6,230	1,096	0	7,326
Excess Revenue (Expenditures)	(3,070)	2,048	0	(1,023)
Transfer From General Fund			0	0
Fund Balance - Beginning of Year	3,070	2,874	20,000	25,944
Fund Balance - End of Year	\$0	\$4,922	\$20,000	\$24,922

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Fire Fund**

As of March 31, 2006

Assets

Cash In Bank	\$102,696
Prepaid Insurance	<u>0</u>
Total Assets	<u><u>\$102,696</u></u>

Liabilities and Fund Balance

Liabilities	
Accounts Payable	\$0
Due to General Fund	<u>0</u>
Total Liabilities	0
 Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>102,696</u>
Total Fund Balance	<u><u>102,696</u></u>
 Total Liabilities and Fund Balance	<u><u>\$102,696</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Fire Fund

For The Year Ended March 31, 2006

<u>Revenues</u>	
Property Taxes	\$59,654
Delinquent Property Taxes	1,908
Interest	684
Miscellaneous	1,400
Total Revenue	<u>63,647</u>
<u>Expenditures</u>	
Contract Services	27,322
Capital Expenditures	45,423
Total Expenditures	<u>72,745</u>
Excess Revenues (Expenditures)	(9,098)
Transfer From General Fund	20,000
Fund Balance - Beginning of Year	<u>91,795</u>
Fund Balance - End of Year	<u>\$102,697</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Park Fund**

As of March 31, 2006

<u>Assets</u>	
Cash In Bank	\$0
Due from General Fund	<u>0</u>
Total Assets	<u><u>0</u></u>
<u>Liabilities and Fund Balance</u>	
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>0</u>
Total Fund Balance	<u><u>0</u></u>
Total Liabilities and Fund Balance	<u><u>\$0</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Park Fund

For The Year Ended March 31, 2006

<u>Revenues</u>	
Donations	\$0
Permits and fees	<u>3,160</u>
Total Revenue	<u>3,160</u>
<u>Expenditures</u>	
Maintenance and Improvement	6,230
Capital Expenditures	<u>0</u>
Total Expenditures	<u>6,230</u>
Excess Revenues (Expenditures)	(3,070)
Fund Balance - Beginning of Year	<u>3,070</u>
Fund Balance - End of Year	<u><u>\$0</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Lake Township
Balance Sheet
Metro Act Fund**

As Of March 31, 2006

<u>Assets</u>	
Cash In Bank	\$4,922
Prepaid Insurance	0
Total Assets	<u>\$4,922</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	\$0
Due to General Fund	<u>0</u>
Total Liabilities	0
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>4,922</u>
Total Fund Balance	<u>4,922</u>
Total Liabilities and Fund Balance	<u>\$4,922</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Metro Act Fund

For The Year Ended March 31, 2006

<u>Revenues</u>	
State of Michigan	\$3,143
Delinquent Property Taxes	0
Interest	0
Miscellaneous	0
Total Revenue	<u>3,143</u>
<u>Expenditures</u>	
Contract Services	1,096
Capital Expenditures	0
Total Expenditures	<u>1,096</u>
Excess Revenues (Expenditures)	2,048
Fund Balance - Beginning of Year	<u>2,874</u>
Fund Balance - End of Year	<u><u>\$4,922</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Budget Stabilization Fund

For The Year Ended March 31, 2006

<u>Revenues</u>	
State of Michigan	<u>\$0</u>
<u>Expenditures</u>	
Contract Services	0
Miscellaneous	<u>0</u>
Total Expenditures	<u>0</u>
Excess Revenue (Expenditures)	0
Transfer from General Fund	0
Fund Balance - Beginning of Year	<u>20,000</u>
Fund Balance - End of Year	<u><u>\$20,000</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS